

CENTRAL INTELLIGENCE AGENCY

11 October 1957

DRAFT STAFF MEMORANDUM NO. 47-57

SUBJECT: The Political Outlook in Argentina*

1. In a memorandum to the DCI on the "The Argentine Situation" dated 19 April 1957, we stated that the Aramburu government, now in the last scheduled year of its temporary receivership, "still faces serious political and economic problems," and probably will "become increasingly vulnerable to overthrow." We concluded that the "chances for an orderly transfer of power" to a constitutional regime were somewhat less promising than the "slightly better than even" estimate made last year in NIE 91-56. Developments since last April have supported those judgments, and have stimulated even greater concern over the prospects for a constitutional succession.

2. The political situation. An increasing number of difficult political problems confront the present regime as it prepares for a return to constitutional government. The results of the July Constituent Assembly elections have not assured the government that the People's Radical Civic Union (UCRP), the moderate left-of-center party to which it would be willing to transfer power, would win the February 1958 general elections. The vote for the pro-government

* This memorandum has been discussed with OIR, OCI, and DDP.

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parties, led by the UCRP, only about equalled the opposition vote, divided between the Intransigent Radical party (UCRI) of leftist Arturo Frondizi and the largely Peronist-inspired blank vote.* The disposition of the blank vote, for which Frondizi has made the strongest bid, will probably play a major role in determining the outcome of the general election. Frondizi, although strongly opposed by army elements within the regime, thus remains a powerful contender for the presidency.

3. Moreover, there has been little indication that the civilian political party leadership is sufficiently concerned with, or capable of handling, the difficult economic and political situation which will face a successor government. Neither the UCRP nor the UCRI has advanced a program for coping with the country's serious problems. Virtually no progress has been made on reform of the 1853 Constitution at the Constituent Assembly because of disagreement among the delegates over the nature and extent of necessary reform. In this connection, Frondizi's UCRI has permanently withdrawn from the assembly after an abortive attempt to have

* <u>Constituent Assembly Election Results:</u>		<u>% of total vote</u>
<u>Pro-Government:</u>	Peoples Radical Civic Union (UCRP)	25
	minority parties	25 (est)
<u>Opposition:</u>	Intransigent Radical Civic Union (UCRI)	21.5
	minority parties	3.5 (est)
<u>Blank vote:</u>		25

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the convention declared illegal. The subsequent withdrawal of other opposition delegates has left a barely safe margin of delegates over the necessary quorum.

4. Divisions within the two leading parties are contributing to general uncertainty about the electoral outcome and the capabilities of either to ^{lead} a viable successor government. The UCRP is made up of four Radical factions united principally by their opposition to Frondizi. They have demonstrated at most only a tenuous unity in their preparations for the selection of a joint presidential candidate and in their positions on constitutional reform. The withdrawal of one such faction from the UCRP in favor of Frondizi has already been rumoured. The UCRI is also divided between moderate elements and members of more leftist orientation. Should Frondizi obtain the Peronist support he seeks, he might lose some of his moderate following to the UCRP.

5. The economic situation. The Aramburu regime has had scant success in trying to overcome its serious economic problems. Agricultural production for export has decreased, and prospects for the coming year are not encouraging. The service sector of the economy has witnessed no significant development other than partial rehabilitation of rail transport; and foreign private investment has increased only slightly. Argentina's financial position shows little improvement, although the government has succeeded in reducing its anticipated 1957 balance of

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payments deficit from \$210 million to \$75 million, principally by seeking extensive credits. Dollar reserves dropped over \$57 million between the end of April and the end of July, and now amount to only about \$38 million. If the same rate of depletion is maintained through the remainder of the year, the government will have to dip heavily into its gold reserves, now reduced to \$156 million, to pay for needed imports. Thus, the regime will leave a legacy of depleted reserves and heavy debt to a successor government.

6. The regime's economic problems have been aggravated in recent months by serious domestic inflation, which in turn has given rise to intensified pressures from labor groups for wage boosts. In its attempt to restrain inflationary tendencies, the regime froze wages through December 1957, and granted labor only fringe benefits. However, the cost of living index for the worker class in Buenos Aires rose by 16 percent during January-August 1957, and benefits from 1956 wage increases have virtually been wiped out. General labor dissatisfaction recently culminated in a Peronist-dominated 24-hour general strike, which had a partial measure of success. The government responded by promising only minimal concessions. In an effort to control continuing labor demonstrations, it has arrested numerous labor leaders and impose a 30-day state of siege in Buenos Aires Province. Such measures are likely to intensify labor discontent and unrest.

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7. The attitude of the military. The survival of the present regime, as well as a successful transfer of its power to an elected government, still depends upon the position of the armed forces. Controversy and division within the military over appointments and over the regime's political and economic policies are continuous. Although the majority of the military still appears to favor general elections as scheduled, there is an apparently small group of rightists which favors postponement of elections and continuance of the military in power. Reports and rumors of projected coup attempts by army elements have recently increased. However, dissatisfaction with the current situation and fear that an acceptable and effective successor government will not emerge have not yet appeared sufficient to weld together an effective opposition within the armed forces to either the present government or the scheduled transfer of power.

8. Prospects for a transfer of power. We believe that the Aramburu regime still intends to hold elections in February and to relinquish its power in May of 1958. It will probably continue to try to strengthen the UCRP's prospects for winning the elections. If necessary, the regime would probably rig the elections against Frondizi, particularly if he had obtained Peronist support.

9. At the same time, however, we believe that the resolve of certain powerful military elements within and supporting the regime

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to permit elections and the subsequent transfer of power has been weakened as a result of recent developments. Those elements are likely to become increasingly concerned over the civilian leadership's apparent inability to cope with political and economic problems. They also will probably be alarmed by the uncertainty of the electoral outcome and the capability of Peronists to continue to incite labor unrest.

10. We therefore believe that there is a better than even chance of an attempted coup prior to the transfer of power scheduled for next May. The success or failure of any such attempt is likely to depend upon the degree of discontent and apprehension stimulated among the military during the next several months. A successful coup could result in an increasingly authoritarian military regime; even an abortive coup conceivably could cause postponement of the elections. In any event, we now believe that there is a slightly less than even chance for a successful transfer of power to an elected government in the spring of 1958.